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C O N F I D E N T I A L SECTION 01 OF 04 ASHGABAT 001512

SIPDIS

STATE FOR SCA/CEN, EUR/CARC, EUR/RUS, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 11/21/2018

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SUBJECT: TURKMEN PRESIDENT BERDIMUHAMEDOV: "WE'LL DO IT
OURSELVES, BUT PLEASE GIVE US MORE DATA"

REF: ASHGABAT 01240

Classified By: CDA Richard Miles for reasons 1.4 (b) and (d).

11. (C) SUMMARY: President Berdimuhamedov, accompanied by Foreign Minister Meredov, received U.S. Coordinator for Eurasian Energy Issues, Ambassador Mann, accompanied by Charge Miles, for an hour and a half conversation touching on Berdimuhamedov's just concluded trip to Korea, Germany and Austria and the continuing issue of American energy companies' participation in developing hydrocarbon resources. Berdimuhamedov looked forward to the pending visit of Azeri President Aliiev, but said nothing about Turkish President Gul joining the two of them. The neuralgia about Azerbaijan was perceptible. END SUMMARY.

ENTHUSIASM FOR RELATIONS WITH THE NEW ADMINISTRATION.

12. (C) Berdimuhamedov said the whole region was pleased with the election of Barack Obama. He brought up the selection of Senator Daschle as Secretary-Designate of HHS as a positive development "Is he a doctor?" he asked. (Berdimuhamedov himself is a dentist by profession.) He called for the new President to visit Turkmenistan and urged the US to adopt "an objective and extensive policy" Central Asia. "There is only one question between us: the extraction of hydrocarbon resources." Miles and Mann noted the several other aspects of the relationship but Berdimuhamedov repeated his assertion.

BERDIMUHAMEDOV'S VISITS TO KOREA, GERMANY AND AUSTRIA:
COMMERCIAL ISSUES

13. (C) Berdimuhamedov, visibly tired from his just concluded visit to Germany and Austria, described those visits plus his recent visit to Korea in positive, but very general terms. On Korea, he said he was quite impressed with Korean technology and he hoped to encourage Korean assistance in applying its high level of technology to applicable Turkmen economic sectors. With regard to Germany and

Austria, he said he heard " Nabucco, Nabucco, Nabucco " Berdimuhamedov then repeated the Turkmen mantra on such issues: "We will deliver as much gas as you want up to our border but our laws prevent other measures." Berdimuhamedov spoke well of German equipment, noting that as Minister of Health, he had organized major purchases of German medical technology from Siemens and other companies. Further complimenting foreign technology, Berdimuhamedov then launched into a description of the superiority of John Deere agricultural equipment. We looked at Russian, German and Russo-German machinery, he said, "but John Deere was the best and we have purchased three hundred John Deere combines " both for cotton harvesting and for grain. He then favorably mentioned Turkmenistan,s recent order for two Boeing aircraft and finished by expressing an interest in American firms, involvement in modernization of Turkmenistan,s airports. "We didn,t like the German airports," he said parenthetically. Ambassador Mann said that we would look into generating some proposals from appropriate American firms.

PIPELINE ISSUES, CASPIAN DELIMITATION

¶4. (C) Both Berdimuhamedov and Meredov responded positively to Ambassador Mann,s comment that the U.S. supported the Turkmenistan UN Revolution on Pipeline Security. Shifting the conversation to Azerbaijan, Berdimuhamedov said that he wanted to expand business ties with Azerbaijan. President Aliyev will come here soon, he said, and maybe we can move on the pipeline issues. Comment:

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Berdimuhamedov said nothing about Turkish President Gul joining the meeting. End comment. Our big problem with Azerbaijan, he added, is delimitation; he inquired about Mann's last visit to Azerbaijan. Ambassador Mann described September meetings with President Aliyev and with FM Elmar Mammadyarov, in which he called their attention to the sharp change in the Turkmen position. Mann advised that Mammadyarov had seemed unfamiliar with the new position and advised Turkmenistan to reaffirm the proposal to the Azeris. Mann lauded the change from the Niyazov position but advised that the US would continue to remain neutral on the issue. It is for Turkmenistan and Azerbaijan to work out and this will take prolonged negotiations and time, though agreement in 2009 is absolutely feasible. Berdimuhamedov rejoined, "This Elmar understood our position perfectly. He,s fooling you. We have looked at possible solutions many times," he continued, "Maybe if we can,t agree, we,ll throw the issue into the courts. Aliyev and I are not eternal presidents, we have to solve it."

¶5. (C) President Berdimuhamedov then launched into a mild temper tantrum over the by now well-known incident involving the Azeri gunboat harassment of Turkmen personnel operating on the Caspian Sea. This is not a "childish game," he said emphatically , "Like me, Aliev is Commander-in-Chief. If one of my generals did what he allowed to happen, I would have his head." Berdimuhamedov concluded by repeating the Turkmen proposal that although "Osman and Omar" (Azeri and Chirag) lie principally in Turkmen waters and Serdar/Kyapaz is exclusively Turkmen, Ashgabat would permit Azerbaijan to have Osman and Omar while curving the delimitation line south of those fields further to the west to match what Turkmenistan considers to be the accurate median line delimitation. As for Serdar, Turkmenistan will agree to joint development. We should be able to resolve this. Ambassador Mann repeated that it was not a simple issue. There are many variations; methodology is key; but the Turkmen and the Azeris have to decide among themselves.

U.S. ENERGY COMPANY INVOLVEMENT

¶6. (C) Ambassador Mann said he did not want to dwell on pipeline-related issues; it was premature to focus on pipelines before the new gas reserves were nearer to coming

on line. The first step had to be the preparation of the reserves. In that context, Mann said that he remained in constant contact with representatives and experts of the major American energy companies. He had just consulted with their senior management representatives in Ashgabat for the Oil and Gas Exposition. Mann then outlined the proposals of Chevron, Marathon and Exxon Mobil as follows (Protect: business confidential):

-- Chevron. Chevron was pleased that it had just received its registration to operate an office in Ashgabat. In August, the State Authority had proposed commencement of detail project discussions but since then, nothing had happened. Chevron is ready but is waiting "and has been waiting for some time" for an invitation to proceed. Mann urged Berdimuhamedov to direct the start of detailed negotiations and to receive Chevron leadership in Ashgabat in December as the kickoff to that serious phase. Berdimuhamedov then somewhat defensively described the Chinese pipeline project currently underway. He said we are for service agreements with the Western companies but "we will not give up our onshore."

Mann assured him that it was not an issue of giving up the onshore; Turkmenistan would retain full ownership in any sort of joint development deal. Mann stressed that American

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majors are not interested in service agreements. He cautioned the President that none of his extperts were willing to stand in front of him and tell him that they were not capable of the exploitation of these difficult sub-salt deposits. The U.S. firms however have the technology and the experience and want to work as equal partners. President Berdimuhamedov said emphatically, "We're learning, we're learning." He added, even more emphatically, that no foreign company would be allowed to work on Turkmen soil. We'll listen to the American companies, proposals, he said, but you," addressing Ambassador Mann, "should not disparage the capability of the Turkmen gas people. Ambassador Mann said he just wanted to say that he knew the Turkmen professionals were hard-working and very capable "but, due to the policies of the previous President, there were serious gaps in their present state of professional development. For years, they had been kept isolated, deprived of international educational opportunities, access to professional books, journals, and to the Internet. Development, moreover, was about more than drilling: it requires comprehensive project and financial management. Working together, he concluded, American firms can be powerful in training Turkmen cadres and giving maximum utilization of the reserves. Pressed again on the Chevron visit, Berdimuhamedov agreed to receive top Chevron visitors.

-- Marathon. Mann summarized Marathon's proposal for a gas-to-fuels operation in Turkmenistan. He advised that Marathon will provide the technology, take the capital risk to itself, and develop products for the regional market as well as feedstock for the Turkmenbashi refinery. he stressed the pathbreaking nature of this technology and noted it would require only a comparatively modest amount of gas supply. Marathon wants negotiations leading to a Letter of Intent. Mann conveyed a one-page summary in Russian from Marathon of the project and the President looked through it with interest.

-- Exxon-Mobil. Mann conveyed a preliminary proposal, in Russian, that ExxonMobil had provided to energy sector officials and urged the President to review it..

-- ConocoPhillips. Charge Miles added that he also had met with the representatives of the major American energy companies during his Washington consultations. All were eager to do business in Turkmenistan. In addition to the projects outlined by Ambassador Mann, Miles noted his meeting with ConocoPhillips CEO Mulva. Mulva wanted to come to Ashgabat to meet President Berdimuhamedov. Miles noted the importance of ConocoPhillips in the global energy structure

and recommended that President Berdimuhamedov agree to receive him. Berdimuhamedov did not respond directly but asked Miles to discuss this further with the Foreign Minister.

¶17. (C) Berdimuhamedov warmly recalled the March 2007 USG report on the Turkmen gas sector and specifically praised the USG expert who had presented the report (USDOC's Paul Hueper). The President said he had learned a lot from reading the report and said he would welcome an updated brief. Mann committed to develop one and bring Hueper back, probably in January. Berdimuhamedov also spoke very positively of the work of the U.S. - Turkmen Business Council, led by David Goldwyn. He looked forward to the planned U.S. - Turkmen business conference in the U.S., concluding "We want mutually beneficial business," he said.

AND AGAIN ON AZERBAIJAN

¶18. (C) President Berdimuhamedov returned yet again to the issue of Caspian demarcation between Turkmenistan and Azerbaijan, repeating the outlines of the Turkmen proposal. He said that Turkmenistan had done a lot, the U.S. had done a

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lot, but -- in his words -- Azerbaijan had not.

¶19. (C) Comment: Our sense is that Berdimuhamedov is overloaded: the Europeans blasted him with a chorus of Nabucco, TIOGE has brought dozens of major firms into Ashgabat, the Gaffney-Cline audit has fueled Turkmen confidence -- yet raised the stakes -- and four powerful American firms are ready to enter a serious phase of courtship. With the hidebound Tachberdiy Tagiev as his right-hand man, it is no surprise that the President retreats firmly to the party line: we will sell our gas at the border, we will develop the onshore ourselves. It will, frankly, be hard to sway him from this position, rooted so strongly in national pride. There is also, we believe, a serious concern about exploitation by more sophisticated foreigners. This mixture of pride and insecurity also underlies his repeated comments on Azerbaijan. But his unexpected and warm recollection about the 2007 USG presentation, his desire for more data, and his deep attentiveness at certain moments of technical talk offer us a long-term opportunity for persuasion. We need to follow through, to provide candid, detailed analysis that will give Berdimuhamedov insights into his own energy sector that he will get from nowhere else, and build the long-term relationship.

¶10. (U) Ambassador Mann has cleared this message.

MILES